

Smaller is better

Smaller capital expenditure projects are the best option for emerging producers, says a Western Australian project delivery firm.



Engenium managing director Wayne Peel.

Large, multi-billion dollar development projects within the Australian mining industry have attracted a lot of attention.

The sheer size of these projects generates a great deal of interest and publicity from investors, developers and suppliers within the sector.

But global conditions have changed and the ability to get these larger projects off the ground in today's market is significantly more difficult.

According to Western Australian project delivery firm Engenium, there is a growing trend within junior mining companies toward low capital expenditure projects.

Managing director Wayne Peel said many of these companies had delayed or disposed

of their larger projects and moved smaller projects in their portfolio forward that could be fast-tracked into production.

"As an industry, we got too used to the large and mega projects," Peel said. "The boom period made it too easy to raise funds and so many companies went down the large project path.

"In doing so, people forgot that smaller, low-capex projects are a proven way to bring about shareholder return too, usually in a quicker timeframe."

Low-capital expense projects were well-suited to emerging, junior mining companies because they had a number of advantages that helped in the transition from explorer to miner.

Firstly, because they are low in capital

value, they are low in capital value, so the level of funding is easier to raise.

Low-capex projects are faster to execute, generate cashflow more quickly and achieve pay back more rapidly.

Thirdly, the delivery of the low-capex project demonstrates to the market and investment world that junior miners are capable of delivering a project successfully.

Finally, for the exploration companies, the starter project helps them to transition the company from an explorer to a miner, both culturally and organisationally.

Companies that have employed the low-capex model successfully include Atlas Iron, BC Iron, Sinosteel Midwest, Mineral Resources and Kimberly Metals.

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